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Committee of European Banking Supervisors  
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Subject: CEBS consultation CP 26 Large exposures

Dear mr. Vossen,

We thank you for the opportunity to share our views on the Consultation Paper on CEBS's draft implementation guidelines on the revised large exposures regime (CP26).

We also express our support to the comments the EBF states in a separate response on this consultative document.

In addition we would like to highlight a few specific items:

### General

The large exposure implementation guidelines reflect the concern regarding the exposures of banking institutions. We do appreciate the developments in this area and gladly receive this guidance.

There are a few subjects which we would like to discuss and propose other treatments.

- Solo – consolidated reporting: We think that in effect the large exposures on a solo level are not to be treated as large exposures. When guarantees are in place we do emphasize a proportionality based approach.
- Granular portfolios: we would like to suggest the incorporation of the definition of granular portfolios. Treating granular portfolio as one large exposure has a poor relation to reality.
- Reporting: we do appreciate the integration in the COREP reporting. We would therefore suggest changing the concept 'exposure' to 'regulatory exposure'.
- We would suggest a higher threshold level than 1%, so efforts needed and expected results are more in line with each other.
- Timelines to implementation seem not to be overly wide. Changing credit assessment procedures, receiving more information from and about clients, changing contracts and changing ICT as well as collecting experiences and improving the procedures takes time. We would like to suggest clarification on

the timeline mentioned: implementation in the regulation per 31-12-2010 means first reporting based upon the new guidelines Q1-2011.

- Common source of funding: In the CRD the issue of common source of funding is related to resulting payment problems. We would like to suggest incorporating this high level principle into these guidelines, so no misunderstanding would occur.

#### **Connected clients**

The connected clients definition is based upon the outstanding sum in relation to the own funds amount. It is not completely clear to us, which 'own funds' definition is to be used. We would suggest that the definition is in line with a common capital definition, e.g. the sum of the Tier 1 and Tier 2 capital (Q4).

In paragraph 33 it is stated that in cases of divergence in opinion, the competent authority will decide whether a client must be regarded as part of a group of connected clients. We would like to propose publication of these decisions, or the criteria used in these decisions. This enhances the transparency EU-wide, facilitates the share of knowledge and common procedures, as well as a level playing field.

As stated in paragraph 53 there are situations in which two counterparties are likely to exploit commitments from one institution (e.g. guarantees, credit support). We would like to ask if it were possible to provide for examples which would clarify when clients would be and when clients wouldn't be connected. The examples could cover liquidity facilitators in SPV's (sometimes connected) as well as regular banking institutions, where clients can easily move to other funding providers.

The CRD provides for the high level principle 'in particular funding or repayment difficulties', it would clarify the guidance, if in the definition in paragraph 32 this high level principle would be referred to (Q4).

We do support the application of a threshold level for the research procedures. We would however suggest raising this level to bring the efforts and the results in line with each other (Q5).

To have research procedures in place for very small exposures, which would be the result if the 1% level would be applied to exposures at solo level, does not meet the goals of the large exposure regime. From a risk based point of view, attention is needed for the exposures which could have a material impact. Small exposures will not qualify. (Q5).

We would like to bring to mind that for most solo entities the parent of the group has guarantees in place.

#### **Implementation timelines**

Large exposures are reviewed on a regular basis, during the course of the year and related to client-relevant developments. When changing the procedures and guidelines regarding to connected clients, it has our preference to organise this in relation to the regular reviewing process, next to the necessary changes in ICT. We would therefore like to suggest that the implementation time lines enables institutions to be prepared for reporting the large exposures not earlier than Q1 2011.

**Exposures to schemes with underlying assets**

We understand the motive behind the calculation method for these underlying assets.  
We are also in favour of the four approaches in paragraph 83 (Q9).  
We would like to add to these four approaches the use of a mixture of these approaches, so the application can be made to measure.

We would suggest however to incorporate in this guidance a relation to the notion and current definition of granular portfolios, so granular portfolios will not unnecessarily qualify as large exposure (Q12).

**Reporting**

The integration of large exposure reporting within the COREP templates is very much supported. We would however propose alignment with the current COREP reporting for efficiency reasons. The templates in the CP seem to show differences in current terminology. Moreover, we would ask attention for synchronisation with the regulatory exposure reporting and would prefer the one template option (Q20).

The statement in paragraph 129 'deduction of 50% of the value of eligible property ...' is not completely clear to us. We are not sure which 'value' is meant and we would like some clarification on the thoughts behind the figure of 50% (Q23)

Kind regards,



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